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A HANDBOOK ON COOPERATIVE MARKETING

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a handbook on

COOPERATIVE MARKETING

Published for use of local officers and employees by the North Carolina Cotton Growers Cooperative Association and the Tobacco Growers Cooperative Association, Raleigh, N. C.

1923

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This handbook compiled by a joint committee consisting of S. D. Frissell, R. W. Green, John A. Livinstone, and C. C. Zimmerman.

1. COOPERATIVE COMMODITY MARKETING

What It Is

A Cooperative Commodity Marketing Association is an organization of the growers of a product for the purpose of making the business of growing that product profitable. Two methods, one orderly marketing and the other standardization or the improvement of the product, are used to make profits for the growers.

These two methods—orderly marketing and standardization—are combined called merchandising. Cooperative Commodity Marketing is orderly marketing and standardization. Cooperative Commodity Marketing is profitable because it renders a better product in a better order than any previous system of marketing—and sees that the grower receives the rewards.

Orderly Marketing

By orderly marketing the product is sold to the manufacturer or ultimate consumer as the need arises, not in a few weeks as the grower prepares for the market. Thereby eventually the price fixed by the supply at point of distribution and not by the supply at point of production. Orderly marketing helps stabilize the price for the benefit of both grower and consumer.

Standardization and Improvement

Standardization begins with the selection of improved seed by the grower and continues with

the careful processing and packaging of the product after it is gathered. Careful grading of the cotton and tobacco after it is received by the associations enables the grower to receive a premium for his efforts to standardize the product. The standardization of grades is an essential and important part of cooperative marketing.

These two processes—orderly marketing and standardization—which are together called merchandising, are both vitally necessary to success. The first year the gain from cooperative commodity marketing comes most largely from orderly marketing. After that, and of increasing importance, come the gains from standardization.

Business Methods and Service

Cooperative commodity marketing is but the application of the known successful business principles to the grower's market. It is better than the former system because it furnishes a superior product in a more orderly way and returns the profits gained thereby to the farmer's pocket.

THE FUNDAMENTAL PRINCIPLES ON WHICH WE HAVE ORGANIZED

Under the expert guidance of Aaron Sapiro we have organized our Associations on the following basic principles:

1. We have organized by commodity.
2. We have only growers for members.
3. We are Cooperative—one man, one vote. Our associations are ours and we control them.
4. We have a five-year legal binding contract.
5. We pool our products by type and grade, and each member gets the same price for the same quantity and quality.
6. We are big enough to hire experts to run our business and serve us.

3. THE CAUSE AND HISTORY OF THE FORMATION OF OUR COTTON AND TOBACCO CO-OPERATIVE MARKETING ASSOCIATIONS

The Speculative Market Failed

Although the demand and use of our cotton and tobacco have increased steadily the last quarter century, the economic history of the growers during that period has been a succession of want, misery, and poverty. Since 1896 four campaigns for crop reduction have been waged by the cotton growers, only to find a few years later the world famishing for cotton at satisfactory prices. The experts of the United States Department of Agriculture find that during the last quarter century tobacco growers have made money five years, broke even five years, and lost money fifteen.

The Results of This Failure

These bad economic conditions among the cotton and tobacco growers have resulted in robbery of the soil and robbery of the women and children. The fertility has been taken from the soil and the chances for betterment taken from the women and children. The women and children have gone to the cotton and tobacco fields instead of to the homes and schools, and the standards of living in the country have lagged behind.

The Attempts to Improve

Many attempts have been made to improve these bad economic conditions among the growers

Farmers' Alliance pools and warehouses, Farmers' Union pools and warehouses, acreage reduction, farmer-owned stores and other methods were tried to improve these conditions among the growers, but their results were only minor and temporary.

War-Time Prices

Then came the war with its prices, and the growers forgot their troubles. Cotton rose from low of 6 cents in 1914 until in 1919 it reached peak of 43 cents a pound, and tobacco rose from an average in the three states, Virginia and the Carolinas, of $10\frac{1}{2}$ cents a pound in 1914 to $45\frac{1}{4}$ cents a pound average for 1919.

Then Came 1920

In 1920 a crop of tobacco which had an estimated cost of production in the three states of 10 cents a pound was sold for an average of about 10 cents a pound, and cotton with an estimated cost of production of 30 cents a pound sold for as low as eight cents a pound. This complete collapse of the growers' market convinced all thinking farmers that there was no remedy for the speculative system but abolition. Campaigns for acreage reduction of cotton and tobacco began immediately and meetings were held to solve the situation.

Aaron Sapiro Came

Some one had heard that California, a great agricultural State, had not suffered from the 1920 collapse as had other sections of the country, and that even in 1920 four out of five California

growers made money. An investigation was made and it was found that California growers attributed their 1920 prosperity to the fact that each year they sell around three hundred millions of dollars of their product through cooperative commodity marketing associations. California growers were asked to send Virginia-Carolina growers their best expert to teach them this system of cooperative commodity marketing. Thus came Aaron Sapiro.

Cooperative Commodity Marketing Was Adopted

Aaron Sapiro explained this plan of cooperative commodity marketing to Virginia growers at Lynchburg, January 11, 1921; North Carolina growers at Raleigh, January 12 and 13, 1921, and South Carolina growers at Florence, January 14, 1921. Sapiro also told the growers in these meetings how agriculture and rural life had developed in California with group marketing, how the average California farmer produced \$5,000 worth of products each year, compared to \$2,300 average for the United States, and how California grew \$309 worth of crops for every man, woman, and child living on the farms, which was \$110 more per person than was produced in Kansas, the next highest State, and almost four times as much as the per capita production of certain cotton and tobacco producing states. He told them how crop values in California had declined less than any State in the Union, and of splendid roads, schools churches, and homes the prosperous California farmers had built. Listening to these almost un-

believable facts, the growers in their mass meetings adopted the cooperative commodity marketing plan, the contract was drawn up, organization committees appointed, and the movement was under way.

The Sign-Up Campaigns

The organization committees of the Tobacco Growers Cooperative Association and the North Carolina Cotton Growers Cooperative Association were given until January 1, 1922, to complete the sign-up of growers of 50 per cent of the tobacco and growers of two hundred thousand bales of cotton in 1920 in order to make the contracts valid.

The living history of these great campaigns waged by the farmers themselves in the face of the vicious opposition by certain of the speculative interests will never be blurred in the minds of any who took part therein. Suffice to say, the goal was reached by January 1, 1922, and the farmers' organizations emerged victorious with 65,000 members of the tobacco association and 26,000 members of the cotton association. January 1, 1923, 85,000 growers compose the tobacco association, and 32,000 growers compose the cotton association.

4. DESCRIPTION, CONTROL, AND FUNCTIONS OF OUR ORGANIZATIONS

The Organization and Control of the Central Offices

The central office of the tobacco association consists of a warehouse, a leaf, a finance, a legal, and a field service department.

The central office of the cotton association consists of a warehouse, a sales, a finance, a legal, and a field service department.

The central office of the tobacco association is controlled by 25 directors, 22 of whom are elected by the members and three of whom are appointed by the governors of the three states to safeguard the interests of the public.

Officers of Tobacco Association

T. C. Watkins, elected director from Halifax County, Virginia, is in direct charge of the warehouse department.

R. R. Patterson, formerly head of the leaf department of the American Tobacco Company is in direct charge of the leaf department.

Oliver J. Sands, public director appointed by the Governor of Virginia, is in direct charge of the finance department.

Aaron Sapiro is general counsel, and he has direct charge of the legal department. Associated with him is Major W. T. Joyner of Raleigh, N. C.

M. O. Wilson, secretary of the association elected director from Charlotte and Prince Ed-

ward counties, Virginia, is in direct charge of the field service department.

Supervising these department heads are the 25 directors who safeguard the interests of the members and of the public. George A. Norwood, elected director of Goldsboro, North Carolina, is president of this board of directors.

Officers of Cotton Association

The central office of the cotton association in Raleigh is controlled by 11 directors, 10 of whom are elected by the members and one appointed by the Governor of North Carolina to safeguard the interests of the public.

The direct executive head of the cotton association's central office is the general manager, U. B. Blalock, of Wadesboro, prominent business man and farmer. He was a member of the organization committee, and was a pioneer in the cooperative movement.

B. F. Brown, former director of markets for the State of North Carolina, is in direct charge of the cotton department, which looks after the storing, insuring, grading, and transportation of cotton.

Lawrence MacRae, experienced cotton mill man, is sales manager of the association.

Ashley E. Bing, former national bank examiner, who is secretary-treasurer of the association, is in charge of the finance and accounting departments.

Aaron Sapiro is general counsel and has direct charge of the legal department. Associated with him is Cale K. Burgess of Raleigh, N. C.

✓ Homer H. B. Mask, formerly connected with the North Carolina Agricultural Extension Service, has direct charge of the field service department.

Supervising these department heads are the eleven directors who safeguard the interests of the members and of the public. W. H. Austin of Smithfield is president of the board of directors.

The Functions of the Departments

The warehouse departments of the two associations provide the ways and means of receiving and storing cotton and tobacco, and are responsible for it while it is passing from grower to manufacturer. Insurance is carried on both warehouses and product in order to safeguard the grower and the banker who lends money for advances.

The leaf department of the tobacco association grades the tobacco into pools, the standards for which have been set up after the most careful study in cooperation with the manufacturers and consumers. The warehouses are owned and controlled by subsidiary corporations, and the plan of organization contemplates their eventual ownership by the growers.

Cotton is stored in government-licensed and bonded warehouses, and the grading is done by expert graders under government supervision, and according to government standards. All warehousemen are bonded, and they work under government regulations and under government inspection. This is made possible by the State-licensed warehouse system, which is used exclusively by the cotton association.

A careful study of supply, demand, and market conditions is made and steps taken to sell the product at a fair price for the grower. The sales policies are determined by the boards of directors of the respective associations, with the advice of experts, who are in touch with conditions affecting the market. Expert sales managers have been employed to give their entire time to this important work.

The finance departments secure the funds for advances, and when sufficient sales are made, repay these loans and make returns to the growers for each pound delivered to the associations. Every man connected with these departments charged with handling funds is heavily bonded.

The legal departments guide the whole organizations in its contact with legal matters and pay special attention to growers who violate their agreements with their neighbors by selling on the outside.

The field service departments aid the growers in increasing the membership, furnish the growers with information regarding their association, supervise the organization of locals and county units, keep the central organizations informed as to the needs and desires of the growers, furnish the growers with information and aid in improving and standardizing their product, and in many ways help the growers to control their associations, to improve their products, and to make farming pay. The field service departments, by their intimate contact with the growers, are enabled to render them valuable service.

The Organization of the Growers

Every grower is a member of a local, which meets regularly at the schoolhouse. Each local has a chairman, vice-chairman, and secretary. These local officers and other delegates compose the county association, which meets regularly once a month at the courthouse.

The Function of the Local and County Units

These local and county units have five main functions. These functions are:

1. Securing deliveries and maintaining the loyalty to the associations by educating their members regarding cooperative marketing.
2. Increasing the membership of the associations.
3. Controlling the associations by reporting to the directors and department managers all inefficiency and disloyalty of employees and otherwise advising with their directors.
4. Improving the product by adopting standard seed, better methods of production and harvesting.
5. Reporting all statistics as the department managers shall request.

SOME QUESTIONS ASKED AND THEIR ANSWERS

What are locals?

They are branches of the associations composed only of growers, officered only by growers, and their purpose is to promote cooperative marketing and better farming.

Why is it necessary to have local and county organizations?

Because the cotton and tobacco associations are composed of growers, are run by growers, and exist solely to benefit the growers. In order to act intelligently, members must be informed, and must also discuss the many problems connected with cooperative marketing. If it were possible, it would be better to have all the members come together in one place. The next best thing is the community unit. Here members may get reports from headquarters, discuss them, and make suggestions as to the future conduct of the associations.

Does the marketing agreement and contract comply with law.

Absolutely so. It has been submitted to and has stood the test of inspection by the State courts and the Federal Trade Commission, and it has been examined by competent attorneys and judges and pronounced legal, fair and reasonable.

Why is it necessary to have a five-year contract? For a number of excellent reasons. One is to insure that all of the members will stick for that long a time. Another is to insure that the associations will have a finite volume of business, so that an adequate selling

organization can be set up and maintained. A third reason is that it will not pay to go into associations of this sort except for at least five years, so that the amount of business done during that time will reduce the overhead expense necessary to get them started. A fourth reason is that competent salesmen and managers cannot be hired for just one year. A fifth and very important reason is that manufacturers, exporters, bankers and others will not do business with an organization that will remain in business for only a short time.

Can a member sign for half or part of his crop?

He cannot. Would you want to give any member the privilege of selling half or part of his crop through the association and of selling the other part to a speculator who would work directly against the association?

What does a member obligate himself to do when he signs the marketing contract?

To sell all of crop through the association for a period of five years.

What happens to the member if the association goes into court to prevent breach of contract?

The grower not only has to pay liquidated damages for breach of contract, but he also has to pay all costs of suits and is restrained by injunction from selling outside of the association.

Why are these cooperative associations made so strong?

To prevent the weak-kneed from sliding out and to prevent any possible breaking of the associations. Also to prevent outsiders and speculators from tempting

y temporary high prices, members to forsake the associations and thus to destroy them.

How much do the associations charge for handling, trading, warehousing and selling the cotton of members?

Not a cent more than it actually takes to do this service. Each member will get the maximum net proceeds for his crop, less the actual cost of running the association.

What about damaged cotton or tobacco?

If the damage is the result of carelessness on the part of the member, such loss will be charged against the member. If the damage occurs after the cotton or tobacco is delivered to the association, the association will stand the loss. This is one of the risks that every business undertaking has to take, but by storing in warehouses and insuring it, this source of loss will be minimized or eliminated entirely.

Will the associations hold cotton and tobacco?

Yes, if it is necessary to do so, but they are not holding institutions, and their purpose is to sell the crop at such times and in such amounts as will best serve the interests of members.

Do the associations guarantee the member any certain price?

They do not. The contract provides that the association will sell the members' cotton or tobacco at the best price obtainable on the market. Neither the association nor any one else can guarantee what the market will be.

Why are the cooperative associations called non-profit?

Because all of the money received from sales after the expenses of selling are paid goes to the grower. He receives all that his cotton or tobacco brings, less the expense of selling it.

Will my good grades of cotton and tobacco be pooled with the sorry grades of my neighbors?

No. All cotton and tobacco of similar grade and class is pooled together, insuring to each grower of good products the benefit he merits from his care in improving it. All members whose cotton or tobacco is of the same grade and class will receive the same price.

Do I have to pay interest on money that is borrowed to make advances on cotton and tobacco?

Yes, you will have to pay your pro rata share of the interest. Interest on borrowed money is included as a part of the overhead cost of operating the association. This is exactly the same as is done by any other business organization.

Suppose I do not take my cash advance when I deliver my cotton or tobacco, will I get interest on the amount of money to which I am entitled but which I leave with the association?

No. The boards of directors found it would prove too costly to undertake to open up so many small borrowing accounts; and, therefore, all members were earnestly urged to take their advance when they delivered their cotton or tobacco. It was also desired to distribute the advances as widely as possible in order that business might be stimulated. Money tends to flow toward the large business centers; cooperative marketing seeks to keep money well distributed in an orderly manner to help stabilize conditions.

CONTRACTS BASIS OF BUSINESS

Membership contracts of the cotton and tobacco associations are the basis of their existence. Without them there would be no assurance of a sufficient volume of business to justify setting up machinery for handling it.

It is evident that they must be binding contracts. This fundamental principle is not confined to cooperative selling associations. It applies to all modern business undertakings. If men entering into agreement to do or not to do a certain particular thing, which is all that a contract is, were permitted to violate their solemn promises at will, orderly conduct of ordinary business affairs would be impossible. Confidence could be broken down, and without confidence there could be no stability. Destroy confidence and stability, and you destroy all business.

Contracts become mere scraps of paper if they are not enforced. Checks on a bank would be worth nothing unless there are funds to meet them when they are presented for payment and they are accepted. In ordinary business relations, checks are treated in the same way as money, but this is because of the reasonable assurance that those giving them will keep their solemn obligation.

Sacredness of contract, then, is not peculiar to cooperative selling associations. It holds for all business. It is to the everlasting credit of the farmers that they have given the lie once for all the slanderous charge that they will not keep

their solemn obligations. The fine record made by the cotton and tobacco associations the past year shows that farmers are as careful to keep their word as any other class of people.

The courts of every state, including North and South Carolina, and Virginia, wherever the validity of one of our contracts has been brought before a judge, have held without exception that the agreements made by growers to market their own products are fair, reasonable, just and legal. It has been uniformly held that farmers have the same right to make contracts that anybody else has, and that it is not special privilege to permit him to organize for the orderly sale of his cotton and tobacco.

LOYALTY MUST BE WATCHWORD

Compliance with the contract by members of cooperative associations, however, is the negative side of the proposition. There ought never to be any question about it. There will not be in the future. It will be taken for granted that when a grower of cotton and tobacco signs a contract of membership, he is going to live up to his contract. But that is not enough.

In order to grow and prosper, the cooperative associations must have the active, positive, loyal support of members. They must do more than keep their contract. They must put their shoulders to the wheel and make the associations live living, breathing organizations. They must meet with other members and thresh out with them the many problems that must be solved before the

cooperative associations can achieve their highest and best success.

Loyalty to the associations does not mean that a member must calmly submit without a murmur of protest to bad treatment he may receive, either intentionally or unintentionally, from those who have been placed in charge of the selling organizations. It is his business to kick, if he feels that he isn't receiving a square deal, but it should be constructive criticism. He should endeavor to kick in a way that a similar mistake will not be made again. He should have the good of the association at heart with a view always to helping it to give good service to members.

It will aid materially in building up the morale of the associations and in facilitating attention to complaints, if they are made through duly elected officers of local organizations. It will give greater weight to a complaint and will enable other members to have the benefit of the information. Help your associations to give good service by attending meetings of your locals.

LOCAL ORGANIZATIONS

If You Live in South Carolina

In counties growing both cotton and tobacco, local units are joint organizations of members of the Tobacco Growers Cooperative Association and the South Carolina Cotton Growers Cooperative Association. For information about locals in this territory, write to W. E. Lea, Tobacco Growers Cooperative Association, Florence, S. C., or to H. C. Booker, S. C. Cotton Growers Cooperative Association, Columbia, S. C.

If You Live in Eastern North Carolina

In a county where both cotton and tobacco are grown, local units include members of both the North Carolina Cotton Growers Cooperative Association and the Tobacco Growers Cooperative Association. For information, write to either association at Raleigh, N. C.

If You Live in Western N. C. or Virginia

In this territory, where no cotton is grown, local units comprise only the members of the Tobacco Growers Cooperative Association. For information, write to Raleigh headquarters of the association.

If You Live in the Southern Piedmont North Carolina

In these counties, where no tobacco is grown, local units comprise only members of Cotton Association. For information, write to H. H. B. Mask, N. C. Cotton Growers Cooperative Association, Raleigh, N. C.

PUBLICATIONS

Literature on cooperative marketing is becoming voluminous, and numerous books on the subject of marketing have recently come from the press. As a beginning for a study of this subject, the following two books are recommended:

"Efficient Marketing for Agriculture," by T. Macklin. Published by Macmillan Co., New York. Price, \$3; postage, 10 cents.

"Cooperation in Danish Agriculture," by Faber. Published by Longmans, Green Co., New York. Price, \$3.25.

These two books will furnish a ground work, but for those wishing a more thorough knowledge of the beginnings of this important cooperative movement, we recommend:

"Marketing Agricultural Products," by Hibbard. Published by D. Appleton & Co., New York. Price, \$2.50.

"Cooperation in Agriculture," by Powell. Published by Macmillan Co., New York. Price, \$2.50; postage, 10 cents.

"Denmark, a Cooperative Commonwealth," by Howe. Published by Harcourt, Brace & Co., New York. Price, \$2.

"How Farmers Cooperate and Double Profits," by Poe. Published by Progressive Farmer Publishing Co., Raleigh, N. C. Price, \$1.

Except where noted, the price includes the postage. These books may be ordered direct from the publishers or they may be ordered through Alfred Williams & Co., Raleigh, N. C.

BULLETINS

Important bulletins published by the Bureau of Agricultural Economics, Department of Agriculture, which may be obtained for the price named from the superintendent of documents, Government Printing Office, Washington, D. C., are as follows:

“One Variety Cotton Communities,” by O. F. Cook, U. S. Department of Agriculture Bulletin, No. 1111. Price, 10 cents.

“Legal Phases of Cooperative Associations,” by L. S. Hulbert, U. S. Department of Agriculture Bulletin, No. 1106. Price, 15 cents.

“Producers Cooperative Milk Distributing Plants,” by O. B. Jesness. U. S. Department of Agriculture Bulletin, No. 1095. Price, 10 cents.

“Cooperative Grain Marketing,” by J. M. Mehl. U. S. Department of Agriculture Bulletin, No. 937. Price, 5 cents.

“The Organization of Cooperative Grain Elevator Companies,” by J. M. Mehl, U. S. Department of Agriculture Bulletin, No. 860. Price, 10 cents.

“Cooperative Marketing,” Farmers’ Bulletin, No. 1144, U. S. Department of Agriculture, Washington, D. C.

“Three Centuries of Tobacco.” Separate 805 Yearbook, U. S. Department of Agriculture, 1919, Washington, D. C.

“Tobacco Culture.” Farmers’ Bulletin 571.

“Authorizing Associations of Producers of Agricultural Products,” from Congressmen. H. R. 2373.

OTHER BULLETINS

Write direct to the address indicated if you want the bulletins named:

Report of American Cotton Association, 1920. Harvie Jordan, St. Matthews, S. C.

"Marketing Problems of Minnesota Farmers," by Hughes, State Department of Agriculture, St. Paul, Minn.

"Tobacco Marketing in United States," by E. H. Matthewson, U. S. D. A., Bureau of Plant Industry, Washington, D. C.

PERIODICALS

First-hand information on the sound principles of cooperative marketing and important news about its development is carried every week by *The Progressive Farmer*, Raleigh, N. C., subscription, \$1.

Without exception, agricultural papers are keeping in touch with cooperative marketing, and articles on the movement have found their way into practically all magazines and periodicals of every class during the past year.

Start today to establish a library on cooperative marketing. It will be the means of obtaining practical information that you should have.

SOURCES OF INFORMATION

From time to time state and national agricultural departments issue publications of interest to tobacco and cotton growers, and with the present interest in cooperative marketing these depart-

ments may issue more bulletins on cooperative marketing.

Your Congressman may be able to supply you with bulletins issued by the U. S. Department of Agriculture at Washington, D. C.

Write, also, to your State Department of Agriculture, to your State College, or Agricultural Extension Service. A list of addresses follows:

George Y. Koiner, Commissioner of Agriculture, Richmond, Va.

John R. Hutcheson, Director of Extension, Blacksburg, Va.

W. A. Graham, Commissioner of Agriculture, Raleigh, N. C.

B. W. Kilgore, Director N. C. Agricultural Extension Service and Experiment Station, Raleigh, N. C.

U. Harris, Commissioner of Agriculture, Columbia, S. C.

W. W. Long, Director Agriculture Extension Work, Clemson College, S. C.

Tobacco Experiment Station, Oxford, N. C.

SOUTHERN COTTON COOPERATIVE ASSOCIATIONS

Alabama Farm Bureau Cotton Association, Montgomery, Ala.

Arizona Pimacotton Growers Association, Phoenix, Ariz.

Arkansas Cotton Growers Cooperative Association, Little Rock, Ark.

Georgia Cotton Growers Cooperative Association, Atlanta, Ga.

Mississippi Farm Bureau and Cotton Association, Jackson, Miss.

North Carolina Cotton Growers Cooperative Association, Raleigh, N. C.

Oklahoma Cotton Growers Cooperative Association, Oklahoma City, Okla.

South Carolina Cotton Growers Cooperative Association, Columbia, S. C.

Texas Farm Bureau Cotton Association, Dallas, Tex.

These nine state cooperative selling associations are affiliated with the American Cotton Growers' Exchange, of Dallas, Tex., which acts in a general supervisory capacity with a view to preventing duplication of effort in securing information about market conditions and methods of business.

PRICES OBTAINED BY PRODUCERS OF COTTON, 1915-1921

(Averages compiled by the Bureau of Crop Estimates, Department of Agriculture. High and low prices from New York Exchange.)

<i>Year</i>	<i>Average</i>	<i>Low</i>	<i>High</i>
1921	16.90	12.80	23.75
1920	15.84	10.85	40.00
1919	35.36	27.00	43.00
1918	28.76	25.00	38.20
1917	27.12	21.20	36.00
1916	17.28	13.36	27.65
1915	11.22	9.20	13.45

COTTON PRODUCTION IN UNITED STATES

<i>Year</i>	<i>Bales</i>
1921	7,953,641
1920	13,439,603
1919	11,420,763
1918	12,040,532
1917	11,302,375
1916	11,449,930
1915	11,191,820

Cotton Acreage and Production by States, 1921

States.	Acres.	Bales.
Virginia	34,000	17,000
North Carolina	1,403,000	776,000
South Carolina	2,571,000	755,000
Georgia	4,172,000	787,000
Florida	65,000	11,000
Alabama	2,235,000	580,000
Mississippi	2,628,000	813,000
Louisiana	1,168,000	279,000
Texas	10,745,000	2,198,000
Arkansas	2,382,000	797,000
Tennessee	634,000	302,000
Missouri	103,000	70,000
Oklahoma	2,206,000	481,000
California	140,000	34,000
Arizona	90,000	45,000
All others	18,000	9,000
United States	30,509,000	7,954,000

North Carolina Cotton Crop by Counties, 1922

Furnished by cooperative crop reporting service of U. S. and N. C.

County.	Production Bales, 1922.	County.	Production Bales, 1922.
Alamance	1,463	Johnston	55,447
Alexander	1,469	Jones	3,448
Anson	24,679	Lee	8,394
Beaufort	12,291	Lenoir	11,604
Bertie	13,766	Lincoln	9,097
Bladen	6,626	Martin	8,850
Brunswick	30	Mecklenburg	19,490
Burke	337	Montgomery	4,686
Cabarrus	11,897	Moore	3,664
Caldwell	72	Nash	27,207
Camden	1,950	New Hanover	440
Carteret	1,207	Northampton	21,037
Catawba	10,613	Onslow	3,661
Chatham	8,581	Orange	1,538
Chowan	5,545	Pamlico	4,167
Cleveland	35,128	Pasquotank	4,482
Columbus	1,031	Pender	1,874
Craven	4,284	Perquimans	6,146
Cumberland	20,665	Pitt	22,195
Currituck	628	Polk	2,809
Dare	14	Randolph	1,170
Davidson	1,961	Richmond	26,733
Davie	2,396	Robeson	41,708
Duplin	6,866	Rowan	11,675
Durham	850	Rutherford	11,950
Edgecombe	37,624	Sampson	28,759
Forsyth	99	Scotland	26,987
Franklin	16,415	Stanly	7,506
Gaston	10,929	Tyrrell	2,386
Gates	5,538	Union	24,118
Granville	1,774	Vance	3,757
Greene	9,073	Wake	28,606
Guilford	186	Warren	13,846
Halifax	27,615	Washington	3,953
Harnett	28,303	Wayne	24,895
Hertford	9,560	Wilson	24,819
Hoke	15,713		
Hyde	3,532	State total	852,350
Iredell	18,546		

**Comparative Prices Tobacco Crop in Four States
Per 100 Pounds on Auction Floors**

Year	North Carolina	South Carolina	Virginia	Georgia
1910	\$ 10.60	\$ 8.52	\$ 9.00	\$-----
1911	11.60	12.18	9.60	-----
1912	16.00	10.90	12.00	-----
1913	18.50	13.76	13.90	-----
1914	11.50	9.83	9.00	-----
1915	11.20	7.28	9.40	-----
1916	20.00	14.11	14.90	-----
1917	31.50	24.09	26.50	-----
1918	35.10	31.06	27.00	31.50
1919	53.60	20.10	47.40	17.73
1920	21.28	23.80	24.00	23.14
1921	24.57	11.21	20.50	8.87
1922*	30.30	23.00	24.00	26.00

*Figures for 1922 are December 1st prices.

Tobacco Production and Average Price for All United States, 1880-1922

Year	Pounds	Average Price Per Hundred
1880.....	506,663,000	\$ 6.00
1890.....	457,881,000	6.90
1900.....	814,345,000	6.60
1901.....	818,953,000	7.10
1902.....	821,824,000	7.00
1903.....	815,972,000	6.80
1904.....	660,461,000	8.10
1905.....	633,034,000	8.50
1906.....	682,429,000	10.00
1907.....	698,126,000	10.20
1908.....	718,061,000	10.30
1909.....	1,055,133,000	10.10
1910.....	1,103,415,000	9.30
1911.....	905,109,000	9.40
1912.....	962,855,000	10.80
1913.....	953,734,000	12.80
1914.....	1,034,679,000	9.80
1915.....	1,062,237,000	9.10
1916.....	1,153,278,000	14.70
1917.....	1,249,276,000	24.00
1918.....	1,439,071,000	28.00
1919.....	1,465,481,000	39.00
1920.....	1,582,225,000	21.20
1921.....	1,075,418,000	19.90
1922*.....	1,324,840,000	23.10

*Figures for 1922 are preliminary estimates.

**Comparative Production Tobacco Crop in Pounds
by States from U. S. Department of Agriculture
Estimates**

Year	North Carolina	South Carolina	Virginia	Georgia
1840	16,772,000			
1850	11,984,000			
1860	32,853,000			
1870	11,150,000		43,761,000	
1880	26,986,000		78,421,000	
1890	36,375,000		77,405,000	
1900	127,503,000		105,543,000	
1910	120,000,000	18,802,000	149,760,000	
1911	99,400,000	11,101,000	128,000,000	
1912	110,980,000	24,337,000	112,200,000	
1913	167,500,000	33,299,000	154,000,000	
1914	172,250,000	39,478,000	113,750,000	
1915	198,400,000	37,924,000	144,375,000	
1916	176,000,000	20,079,000	129,200,000	
1917	249,033,000	51,080,000	129,500,000	
1918	306,105,000	62,173,000	165,550,000	3,000,000
1919	323,371,000	81,156,000	119,780,000	10,327,000
1920	431,531,000	66,342,000	179,580,000	9,667,000
1921	251,682,000	43,533,000	91,850,000	5,039,000
1922*	306,940,000	57,600,000	156,750,000	5,940,000

*Figures for 1922 are preliminary estimates taken from *Tobacco*.

**AMERICAN TOBACCO GROWERS
COOPERATIVE EXCHANGE**

James C. Stone, *President*..... Lexington, Ky.
M. O. Wilson, *Secretary*..... Raleigh, N. C.

Members

Burley Tobacco Growers Cooperative Association,
Lexington, Ky.

Tobacco Growers Cooperative Association, Raleigh,
N. C.

Canadian Tobacco Growers Cooperative Association,
Kingston, Ont. (Canada).

Connecticut Valley Tobacco Growers Association,
Hartford, Conn.

Northern Wisconsin Tobacco Growers Cooperative
Pool, Madison, Wis.

Dark Tobacco Growers Cooperative Association,
Hopkinsville, Ky.

NATIONAL COUNCIL OF FARMERS COOPERATIVE MARKETING ASSOCIATIONS

American Cotton Growers' Exchange, Arizona Pima Cotton Growers, Texas Farm Bureau Cotton Association, Oklahoma Cotton Growers Association, Arkansas Cotton Growers Cooperative Association, Alabama Farm Bureau Cotton Association, Georgia Cotton Growers Cooperative Association, South Carolina Cotton Growers Cooperative Association, North Carolina Cotton Growers Cooperative Association, American Tobacco Growers Exchange, Burley Tobacco Growers Cooperative Association, Dark Tobacco Growers Cooperative Association, Connecticut Valley Tobacco Growers Association, Northern Wisconsin Tobacco Growers Cooperative Pool, Maryland Wheat Growers Associated, Washington Wheat Growers Association, Idaho Wheat Growers Association, Montana Wheat Growers Association, Oregon Cooperative Grain Growers, Arizona Grain Growers, North Dakota Wheat Growers Association.

Texas Wheat Growers Association, Colorado Wheat Growers Association, Nebraska Wheat Growers Association, New York State Sheep Growers Cooperative Association, Texas Farm Bureau Wool Growers Association, Pacific Cooperative Wool Growers, Pacific Egg Producers, Poultry Producers of Central California, Poultry Producers of Southern California, Pacific Cooperative Poultry Producers, Washington Cooperative Poultry and Egg Producers, Southwest Georgia Watermelon Growers Association, Texas Watermelon

Growers Association, Florida Watermelon Growers Association, Texas Sweet Potato Growers Exchange, Texas Ribbon Cane Syrup Association, Texas Alfalfa Growers Association, California Peach and Fig Growers, Arkansas Rice Growers Cooperative Association, National Milk Producers Federation, Maryland State Dairyman's Association, Dairyman's League of New York, Maryland-Virginia Milk Producers' Association, and Peanut Growers Association (Virginia and North Carolina).

COOPERATIVE MARKETING

By AARON SAPIRO OF CALIFORNIA

From an address to tobacco growers made at Danville,
Virginia, May 14, 1921

I am going to tell you the story of the raisin business in California, and for once we are going to talk about raisins without somebody asking how much yeast does it take, how long does it have to set, etc. You know raisins are produced in one section of California; this section contains something less than 10,000 square miles, but that is quite a big section of that State, and it so happens that in that section of California they produce these thin-skin grapes which authorities say are the best raisins in the world. They found that out in 1880, and they started these great vineyards, and men came from the East and from the Middle West and from all over the country to buy vineyards and plant raisins.

By 1900 they reached the point where there was an overproduction of raisins. They produced about 40,000 to 50,000 tons of raisins and the consumption was only about 30,000 tons. There were only about ten firms to whom the growers could sell the raisins. Some of the raisins come without seed and some come with seed and are seeded; others come in clusters and they have to be spread out and dried and processed, and then put up in large boxes or cartons before they can go to the consumer. There were ten packing plants. Five were great big ones, called the "High Five," and five were owned by smaller firms, called the "Low Five"; and in California if you didn't sell your raisins to the

High Five or the Low Five you were stuck with raisins and you had to feed them to the hogs.

About 1900 they started in with this overproduction and the consumers who could not sell their raisins to the High Five or the Low Five had to keep them and feed them to the hogs. There was nothing else they could do with them. From 1900 to 1912 the growers of California who produced raisins were in just about the same situation that you men are—they had no real form of organization; they were just absolutely at the mercy of the buyers. Between the years 1900 and 1912 there was never a crop of raisins that produced a profit to growers of raisins as a whole in the State of California. Between those 12 years was the dark period of the raisin industry in that State. A buyer would call on a grower about February, and nobody on earth in February can tell what the crop of raisins is likely to be. He would say, "Now John, I have been up and down the State, and I want to tell you we are going to have a whale of a crop in California this year." John would say: "How does that interest me?" He would say: "The consumption is only about 30,000 tons of raisins, and it looks like we are going to have a crop of 50,000 or 60,000 tons of raisins. Our firm is going to buy only about 3,000 tons of raisins, and when we buy our 3,000 tons we are not going to buy another pound."

In those years there was a very peculiar coincidence. No more than one buyer would ever call on any one grower. Two buyers never went to one grower in any one of those sections, so a fellow knew if he did not make a bargain with that buyer he would be gone and he wouldn't sell his raisins. The buyer would come back in March and say, "John, I have been down

through the State, to all the different towns, and everywhere I go the signs are the same, and you can see it is going to be a huge crop. That means that half the growers are going to feed their raisins to the hogs. You have got to be thinking about selling your raisins. We are going to put you on our list and we will buy your raisins." John says, "I will talk about selling when you can talk a good price to me." So the buyer goes away and John would lean over the fence and say to his neighbor, "Bill, what have you been hearing about the crop?" And Bill would say: "A buyer was down to see me and he said we would have a crop of about 50,000 tons, and there would be a big overproduction, and that if I didn't sell to him I would feed my raisins to the hogs." And John would say, "That is the very thing the buyer told me."

Strangely enough Bill and John would have heard exactly the same story from different buyers. Of course, men, I do not say that the buyers got together, but it is very queer how often they would agree on figures.

About a week later the buyer would come back to John and say, "John, we are ready to make a contract for raisins." John says, "We will see about it—what will you pay me?" The buyer says, "A cent a pound." John would say, "Ye gods, they have been telling us from the University that it costs from $2\frac{1}{2}$ to 3c a pound to produce these raisins. I cannot sell for that; I owe more than I can possibly pay as it is; I cannot take that price." The buyer would say, "I tell you we have got to buy our raisins at exactly the same price as our competitors; we cannot pay you any more. I will be back to see you again in about a week and we will see if you are ready to sign. In the

meantime you talk it over with your wife and your neighbor and your banker and see what you can do." So John would talk it over with his wife, and John's wife would say, "I do not know anything about the price, but we have got to get things for the house and we need things for the children, and a cent a pound is better than nothing." And John would say, "Let me talk it over with Bill." So he would go and lean over the fence again and say: "Bill, what have you been offered for your raisins; I am offered a cent a pound for mine." Bill would say, "Well, that is funny; I am offered a cent a pound by the other buyer." So then John would go and talk it over with his banker, and the banker would say: "Now listen, John, a cent a pound is a pretty rotten price for raisins, but I cannot tell you not to sell; and I can't advise you to sell at that price. I know you owe some money at this bank; I know you have got to pay some interest. That is not my money that you owe, it belongs to my depositors. All I want to tell you is that fall is coming around and the interest is due and I have got to have that interest; but of course I am not going to advise you to sell your raisins at a cent a pound—you have to make the decision." So he would go back to his home feeling pretty worried.

The buyer would come back the next week and say: "You have either got to sign today or I cross you off the list and will get my 3,000 tons of raisins from the other fellows." And John would say, "I cannot sell at that price." The buyer would say, "Well, John, you have always handled your raisins in good condition. If you give me your word of honor that you will not say a word of this to Bill or any other grower, I will make the price to you $1\frac{1}{4}$ c. a pound." And John

would break a leg to get to that contract and sign it, and the buyer would go off with John's contract for a cent and a quarter a pound.

That trick was played all over California because the buyer understands the grower's psychology. All the grower is interested in is getting a little better price than his neighbor. The buyer plays up to John's psychology and makes him feel that he is smarter than Bill.

We have eliminated that in California now. Our growers sell on terms of fair prices for all and not a little better, secret price than his neighbor.

But that is how they worked the raisin game in California. Half of the crop used to be bought under these secret contracts, made under your word of honor not to tell anybody. And so John would sell his crop. August would come and the grapes would show. September would come and the grapes would be harvested. Usually there would be a crop of about 32,000 tons. The packers paid about $1\frac{1}{2}$ c a pound for the raisins; the packers would sell them from 6c to 8c a pound; the public would pay up to 18c a pound. The growers got 8 pennies out of every dollar that the consumer paid for the raisins, and there was only a half-cent expense in packing, etc., between the grower and the consumer. Under the present plan of co-operative marketing the growers get 48c out of every dollar paid by the consumer. That is why in California, from 1900 to 1912 every crop of raisins produced a big profit for the packers, and every crop of raisins left the grower poorer than he was when the year started.

You can take any one of the years between 1900 and 1912, and you can take any one of the counties in

which raisins were produced, and there were more mortgages foreclosed in any one of those counties between 1900 and 1912 than in all the years in all the raisin-producing counties of California from 1912 to 1921. The great change came in 1912. The growers woke up, fully determined they were not going to be exploited in future years. They determined they were going to get more of the consumer's dollar without raising the price a cent on the consumer; they determined they were going to handle their business like business men and not like a lot of disorganized babies. They took up COOPERATIVE MARKETING.

At the end of 1912 they had a terrific crop. Prices on raisins went down immediately—in some cases as low as a half-cent a pound to the growers, and over half of the crop was left in the growers' hands and they were simply broke. Some of the big men figured it out that by 1914 they would be absolutely cleaned out; that they might as well stop right now, sell their vineyards for what they could get, get out of the line and go to some other way of making their living.

So they went into town and began to talk to their bankers and their merchants; they began to hold little conferences in every little town around central California on the raisin industry; and the most famous meeting they had in Fresno. There was a big meeting in Fresno between the growers, bankers and merchants.

The leading banker got up and said, "You men simply hate me because the only time you ever see me is when you borrow money to loan on your vineyards; and the next time you see me is when you come in to tell me you cannot pay the interest on that mortgage; and the next time you see me is when you come to borrow

more money for the next year's crop. The next time you see me is when you say you cannot pay the interest on either loan ; and the next time you see me is when I tell you I have to foreclose. So you hate me because you think I am the man to make money out of your losses and misfortune, and do not help you to make any prosperity. I don't want you to think of me in that way as your enemy ; I want you to be my friend. I would rather that you make than lose money. Profits are money to you, you pay your profits to the merchant and the merchants deposit the profits with the banks. I, as a banker, know that I cannot be a successful banker unless all you growers are successful and unless the merchants are successful ; and if you growers will only get together and help yourselves I will put every penny in the world I have behind you, both my money and the money in my bank."

One of the growers said he pinched himself when he heard that— there was a banker telling them he would be willing to put up all of his personal resources behind them if they would help themselves.

Suddenly up spoke the biggest merchant in the town. He said : "I am sick of you fellows ; when I came down to Fresno I expected to have a great big, fine, high-class store ; I expected to carry fine stocks and I wanted to have a good store. I wanted to have a store of which you and I could be proud. But as it is now you fellows are not making any money ; you are not making a living ; you don't buy anything from me except overalls ; you don't buy anything for your wife except Mother Hubbards ; you don't buy any furniture except the cheapest ; you don't buy any kitchen utensils except tinware. The only way I have made money in the last few years is by buying up mortgages on

your vineyards, and then I foreclose on your vineyards and sell your vineyards, and I make a little money that way. But I don't like to make money that way; I want to make money as a merchant. If you men make money I can get some of your profits and I can put in fine, high-class stuff in my store which you can afford to buy and I can make decent profits. You fellows have to make profits for yourself so as to enable me to be a real merchant, and I've got to be a real merchant to help the bank make profits. If you fellows will organize, get together, and do something for yourself, I will put every penny I have in the world behind you."

Then came the third big shock to the growers. Fresno has a real newspaper—*The Fresno Republican*, and they were not making money, and the editor of that paper said: "I have my kick against these growers. Why, we have the best paper in California and we can't make any money on it because you don't make enough money out of your raisins to be a subscriber, and the merchants won't advertise in the paper because they say you fellows don't take the paper, and you don't buy anything; so I can't make any money on advertisements, and I can't make any money on your subscriptions because you fellows are not making any money. If you will get together and do something to help yourself we will put the columns of our paper behind you absolutely, and every penny that our paper has and every penny that our proprietor has, we will put behind you to help you help yourselves."

One of the big growers got up and said: "The bankers are with us, the merchants are with us, the editors are with us; they all realize that unless the growers

as a whole are making money the community is not prosperous, and now let the growers help themselves." And this big fellow said: "I wanted to sell my vineyard, and I went down to the real estate firm to see about selling my place. They said, 'What price do you put on your vineyard?' I said, '\$90 to \$100 an acre.' He said, 'What will it cost to tear out your vines?' I said, '\$50 to \$75 an acre.' They told me my vineyard was worth more with the vines out than with the vines in." Another man got up and said, "All of our investments in these vineyards are going to the dogs; let's all get out of it at once and go in some other line."

Men started up all over the house and said, "We ought to organize." And they said, "How?" And somebody answered and said, "The orange and almond and walnut growers have organized and they have been successful. All over Europe the growers have been organized for years—Scandinavia and Italy and even parts of Russia, and you will find all the growers organized on all kinds of products." One of the growers said, "Do you think that we, the American farmers, who are supposed to be the most intelligent people in the world, are backward in these things?" And one fellow popped up and said, "Yes, the American farmer is 30 years behind in cooperative marketing. My opinion is if they can do it in Europe or any other place in the world, we can do it right here, and do it with raisins."

Some of the growers got up with the usual stuff that you hear—"oranges are different from raisins, and walnuts are different from raisins, and almonds are different from raisins, wheat is different from raisins, and peas are different from raisins and flax is different from raisins."

Of course they are all different from raisins. We all know that the fellow who is telling you that is the fellow who is trying to keep you disorganized, because the same principles which have made successful co-operative marketing of other products apply not only to raisins, but to tobacco and cotton and wheat and everything else in the world that men produce.

There is not a single grower problem which you cannot solve a whole lot better if you get together than you can solve when you are standing apart.

At this meeting in Fresno the growers said the question is to get together. Now here is the method we adopted ; it was well suited to their conditions at that time. They decided to form a great big corporation with a million dollars behind it, because they were going to put up a great big packing plant to take the place of the "High Five" and the "Low Five." You have all these fine, big warehouses, which perform the function of receiving, separating, and grading tobacco. There is no need for the tobacco growers to start to put up warehouses and factories to do it, and we must respect their invested capital just as much as we want them to respect the capital we have invested in the growing line. So I am not suggesting the same plan for tobacco. I am suggesting for tobacco a plan that suits tobacco, just as the plan originally worked for raisins suited raisins.

So they agreed out there in Fresno to put up about a million dollars to put up raisin packing plants, and they got the growers to tie up with the organization for five years. We found growers associations that just simply rotted away because the growers were tied up for only one year, or because they were tied up on a little weak contract—we found that all over the

State. We have had more failures than we had successes before 1912. Since 1912 we have learned how to do it. These raisin growers said we will not start unless we start right, with a big five-year contract and a tight five-year contract, in which every grower who signs it agrees to deliver over all the raisins he produces to the association, and then gives the association the right to grade them into clusters and into the seedless raisins, and then sell the raisins and give to every grower the same as every other grower for the same quality and quantity of raisins.

Some of the growers said: "You can't grade raisins because one man's raisins are different from another man's raisins." Now, you fellows have heard that same thing about tobacco, haven't you? Now that is the pet argument of the speculator, that nobody can grade the stuff. We all answer back, "What did you tell your buyers to do when they go out to buy raisins? How do they grade them?" They said, "Well, these buyers know how to do it." We said, "How many?" They said, "We suppose we have 50 or 60 men to grade raisins for us, and you cannot grade raisins." We said, "If you are able to grade raisins we are able to hire men to grade *for* us instead of to grade *against us*."

There has never been a thing which we organized to do which we have not succeeded in doing, and we succeeded absolutely in grading and classing raisins. Remember, whatever the speculator does, you can do. Here is the test. Suppose these fellows who buy tobacco—let us take the Reynolds Company, or anybody else—sends out a bunch of buyers. They give these buyers instructions; they tell them what to buy, what type to get, the kind of leaves they should buy.

They give these men absolute grading instructions, and these buyers go out by the hundreds, as you well know. You are supporting a few hundred buyers off of your tobacco. They grade tobacco by what we call "buyer's grades." If they can do it—it does not take a genius to do it, because there are not 200 geniuses in the whole country at any one time—if they can grade, we can grade; we will get experts to do it for us and not against us. You know the stockholders of Reynolds do not grade tobacco; they don't have to know anything about grading tobacco; they hire salaried buyers to get tobacco and grade it. They cannot do anything with the tobacco that you can't do yourself.

So this grading business we just swept aside, and the raisin growers decided they could grade and they put the grading provision in the contract.

Every contract was conditioned upon their signing up 75 per cent of all the raisin acreage of California. Some of the fellows said, "Why do we want 75 per cent?" And we said, "We have either got to get the growers with us as a class or we might as well quit right now."

So they all agreed to sign up this five-year contract for 75 per cent of the crop, under which they pooled their product, graded it, and sold it, and everybody would get the same price as anybody else for the same quality, grade, and quantity of raisins.

Well, how do they get the sign-ups? You know a lot of merchants and bankers have already realized that this is not the growers problem alone; it is the problem of the whole community. We realized that point in 1912 in California. So they all worked together; the towns closed up their stores, the banks

closed, the schools closed, and they would form growers' teams—two growers and a merchant, two growers and a school teacher, two growers and a doctor, two growers and a banker, two growers and a lawyer, and they would go out in these teams of three to every single raisin district in the State. Our associations have been put over, not by the growers, but by the growers and the community leaders combined, because our leaders have decided that if there is any agricultural interest that keeps four out of five of the growers poor that it is a rotten interest, and it is rotten for the community; and they figure that the only thing that is good for the community is a thing that makes a profit for at least four out of five growers. So our community leaders have devoted themselves to making the growers see the need and advantage of cooperative marketing.

So they would send these teams out. The teams went to every town in the whole raisin district. It became almost as holy to these people as a religious movement. You talk to a Californian today about cooperative marketing and see what he thinks about it. The movement has transformed all of our districts from absolute despair to permanent prosperity—even during this year.

They went all through the raisin districts in California. In six months they had signed up 78 per cent of the entire raisin acreage of that State. Not only had they done that, but they had their million dollars.

Now how did they get the million dollars? The bankers and merchants put up \$300,000. The growers did not have any cash, and they put up \$700,000 in notes, and the banks took up these notes and let the farmers have face value on the notes.

Suddenly came that awful crop of 1912, which was a 70,000 ton crop. In addition, there were 20,000 tons of raisins on hand from the previous year; and there the association was organized and came into a thing like that the first jump. All the trustees and the directors were raisin growers; they had to be. You know the great safety of a California association is that the directors have all their raisins in the same pools as the smallest fellow. If they want to make a profit for their own raisins they have to make a profit for everybody else. If they want to make a charge on anybody else's raisins they have to put a charge on their own raisins. Now the directors and the trustees were chosen by the members, and the directors were these big raisin growers, and these directors met at Fresno, and they sat around a table and they looked at each other and they said, "We might as well not fool ourselves. We know we are all fine farmers, that we produce fine raisins, but we all know that we don't know a blame thing about *selling raisins.*" They said, "Well, now, that is interesting, and that is frank."

You see, we know about this business, and right here I want to tell you that is one of the great discoveries of the California farmers. We are just the same type of fellows as you are, but we know that *no farmer in the world* knows how to sell his crop. We have got 80,000 farmer cooperators in California, just as energetic, just as intelligent as you, and not one of them tries to sell his own stuff. He would not try to sell it any more than he would try to draw up deeds for his property. So he hires experts to sell his stuff for him. Eighty thousand farmers in California, big, prosperous men, have hired men to help

them with production, and they hired great big men to help them on marketing.

So these directors sat around that table and they said, "We can't sell this crop, let's hire some man who can." So they went and talked to their bankers, and the bankers gave them a list of names who were supposed to be sharks at marketing raisins. They got the name of the man who was the smartest one of the lot, James Madison, and they went to see him. They told him, "You are known to be clean and you are known to be square, and we know you are fond of California, you don't want to see Fresno and all these towns stay dead. You know our towns are jokes; we have to put our wives and children in the field and keep the children out of school because we haven't the money to hire help. We want you to help us sell this stuff so we can take our wives and children out of the field and keep our children in school, where they belong." James Madison says, "Do you know what salary I make a year?" They said, "Yes, we know you make a big one. We will give you a fair salary and we want you to represent us for the sake of California." He said, "Well, I will go with you, no matter what you pay, but I want you to treat me square." They said, "What do you think we ought to pay you as a start in salary?" He said, "\$17,500 a year, plus a bonus." The salary, plus the bonus which they paid Madison, amounted to \$25,000 a year. The best investment that the California farmer ever made was James Madison at \$25,000 a year. Don't you ever dare ask for a fair price for tobacco and deny a fair price for *brains*. You have got enough tobacco in the world, but you haven't got enough brains on the farmers' side in the tobacco industry. You have got to get

them on the same terms that the California farmer did. We always feel that the most important business in California is *agriculture*. It is not the Standard Oil Company, it is not the railroads, it is AGRICULTURE.

Now the Standard Oil Company and all those fellows have high-class, efficient men, so do the growers in California. We pay our managers anywhere from \$10,000 to \$36,000 a year; we get the best men in the country to do our work for us. We need the best brains in the country, and they *serve* the growers instead of *exploiting* them. Those men are in the industry right now, but they are on the other side of the fence. The other fellows pay them to *exploit* the growers; we pay them to *serve* the growers.

Now you growers want to determine that once for all. If you are going to apply this to the tobacco business you are going to build up the biggest business in the United States. If you are going to handle it like a business, you have got to go into the world of brains and compete for brains, compete for ability. You have got to hire big men for marketing and big men for grading, big men for transportation experts, big men at every point of the game.

We not only hired Madison, but Madison came and studied the situation, and said, "We have got to have transportation experts, warehouse experts, packing experts." The growers said they would get them. Then Madison said, "This is a funny business; we have this fine crop and yet we cannot make anything for a year. I am going to hire a sales analyst and put him on the job and find out why we can't sell raisins, but he will cost a lot of money." So he called in a sales analyst and said to him, "Your job is to

answer one question—What is wrong with the raisin industry?" He said, "That is a pretty big question, but if you will give me a few months to study it I will answer it for you."

So this fellow went East. He went to every wholesaler who handles raisins; he went to all the retailers who handled raisins. He said to the wholesalers, "When do you want raisins delivered?" And they said October and November of every year. He went to the retailers and asked them when they wanted raisins delivered, and they said November and December of every year, that they sold 90 per cent of the raisins in these months and only 10 per cent the rest of the year. He found that was the story in almost every town in the United States. He came back and said, "I have found the trouble with the raisin industry," and he showed a chart showing the delivery dates and the sales date of raisins. He said, "The American people think that raisins are made to eat only three times a year—Thanksgiving, Christmas, and New Year. You have got to teach the American people that raisins are as good in June as they are in November." He said they had to do two things: first, get a brand for the raisins and then put on a good system of inspection; the second thing was to put on a big advertising campaign in the United States, through magazines, newspapers and billboards, that California raisins are good to eat all the time for every purpose. Whatever it costs, this was the only thing that would save the industry. They told him to go ahead and spend whatever was necessary. They spent a few hundred thousand dollars on advertising raisins, and the first year they were organized they sold that entire 70,000 tons of raisins that they had to

sell, plus the 20,000 tons carried over from the previous year, and the price to the grower ranged from 3½ cents to 3½ cents a pound. In one year those raisin growers took that dead industry and they absolutely put it on its feet, so that the growers of California made a real and substantial profit on raisins from the crop of 1912, and since that date there has never been a crop of raisins on which the growers of California have not made a real and substantial profit—not merely an income, but a real profit.

Now those fellows were pleased at this, it happened so quick, so they started in to plant more vineyards, and by 1915 the normal crop in California was about 100,000 tons a year. They were afraid the people of the country would not eat that much, so they called in the sales expert again. He said, "We will have to get the people who are eating raisins to eat more raisins, or we will have to get people who are not eating raisins to eat raisins." He said, "I do not think we can get people who are already eating raisins now to eat more raisins, because we have saturated the field with raisins." He meant the use of raisins as a food.

So he went around and saw all the ladies he could in Fresno. He said, "How do you use raisins?" They said, "Sometimes we make raisin bread, and sometimes raisin pie and raisin cake." They showed him some of the raisin bread. It tasted good, and he went back to the board and said, "I have got the answer to it—raisin bread and raisin pie and raisin cake." He got 15 young fellows who were trained salesmen and called in a baker, and the baker taught those young men how to make raisin bread and raisin pie and raisin cake in a standardized way. He then took

those 15 young fellows all over the United States, to the big cities and the big hotels and bakeries, and showed them how to make raisin pie and raisin bread and raisin cake according to a standard recipe. They would go into a bakery and tell the baker how to make raisin bread, and tell him, "All you have to do is to put in a quarter of a cent's worth of raisins in the bread, and then you sell it for six cents a loaf instead of five cents; and when your customers come in you tell them the children like bread like that because it has raisins in it, and they won't want butter, and you will save more for butter than you spent for the raisins." (Of course that's hard on you fellows who sell butter.)

Then the bakers all over the country began to make raisin bread. The first year they sold a fair quantity to the baker trade; the next year they sold 6,000 tons; by 1919 they sold 20,000 tons. This year they are selling 35,000 tons to the baker trade in this country.

Now that is merchandising. I have told you those things because the growers are the people who can do it if they will stand together. And it is just as true for tobacco as it is for raisins.

How is it that the High Five and the Low Five never found these new uses and this great demand for raisins? How is it that they never sent men over to China and Japan to open up markets? The dealer never exhausts the demand for any commodity. He never has to buy the whole tobacco crop. All he has to do is to buy what he can sell. All he has to do is to sell what he has bought. If there is a crop of one hundred million pounds and he has bought only fifty million pounds, all he has to sell is fifty million

pounds, and he can let the growers carry the balance. The grower is the only man who has to sell the whole crop. The grower is the only man who really breaks his neck to extend demand, and that is absolutely true.

It is to the dealer's interest that the supply is always greater than the demand, because if you have the supply greater than the demand in any year, he uses that as an excuse for breaking the price of tobacco, or raisins, or prunes, or oranges, or cotton, or wheat, or any other product in the world, year after year. It is to the dealer's advantage to have an over-production. It is to the dealer's advantage to see that the world does not absorb that overproduction. The only time that the dealer ever comes to you and asks you to decrease your crop is when the dealer is stocked with tobacco, and he wants you to pull him out of the hole.

We have had that experience with industry after industry in California. It is only the growers who, acting as a whole, have learned how to create demands, who have been able to solve their problems. Our orange growers increased the demand for California oranges 300 per cent by advertising. With raisins they increased the consumption in this country from 30,000 tons a year to 160,000 tons a year from 1912 to 1918, and every single one of those years was at a higher price than the previous year.

The growers can do it and they are the only fellows in the world who can do it, and they are the only people in the world who have the whole crop to sell and who, therefore, must do it. This is one of the great things we learned. In 1918 they had the raisin industry so prosperous that Fresno headed the list of the prosperous cities of the Union. You Virginians

used to think you had great cities in towns like Lynchburg, Richmond, etc, on account of the prosperous factories. California towns head the list now in prosperity; not manufacturing towns, but our agricultural towns head the list. Look up and see what town is at the head of the prosperous towns in the United States —you will see that Fresno is.

Why even this year, when the majority of the growers of the country are flat broke, 9 out of 10 of the California farmers are making money on their products, and their products are not any better than your products. The only difference between California and Virginia is that we are organized in California and you are disorganized and exploited in Virginia. You can rest assured your crops are making money for some one, but it is not for the growers. Our crops in California are making money for lots of people—for the growers, for the merchants, for the bankers, for the dealers—all the way down the line; but the growers are getting their share. Where the growers of California used to get 8 per cent of the consumer's dollar, today they are getting 48 per cent of the consumer's dollar. Where the growers of California used to have to go around in overalls, dressed in the poorest things, with no carpets on their floors, unpainted houses, with their children working in the fields and not in the schools, today the standard of living among the California farmers is equal to that of the city man; his home is attractive, his children are in school, his family has a car, and he has money in the bank. Today 2 per cent only of the growers of California have to borrow money on crop mortgages. Today 2 per cent, where in your state over 60 per cent of your growers are said to have given crop mortgages.

I want to tell you, friends, there is only one reason. Our growers have learned that the way to succeed is to start in and help themselves. Nobody will do it for you. As long as you stay unorganized they will simply do it to you, but when once you are organized you do it for yourself. Why you know this California business is not a mystery; it is an absolutely true system. It is *merchandising* a product instead of *dumping* a product. It is going into the light instead of sitting in darkness. Remember you are never going to have the tobacco industry prosperous until you have the growers organized, working through the existing warehouses, working through the existing factories, on a real business system, the grower making money, the warehouse making money, and the factory making money, and every step depending on the grower, who is the key to the whole industry. He creates wealth, and he is entitled to share in the products of that wealth.

In California we never organize unless we know that we are big enough to hire the biggest men in the country. Three-fourths of all the growers signed up for raisins; three-fourths for prunes. We did not start up our egg association until we had signed up the owners of a million hens. From that point on we grew. Several of our associations in California have 92 per cent of the products of the State—our almond growers and our raisin growers. Ninety-seven per cent of all the berries in central California move through an organization.

So with tobacco you will organize on a business basis; you are not going into existence unless you have signed up 50 per cent of the tobacco raised in these three states. From the moment you start you

will be the dominant factor in the bright tobacco markets in the world.

Then we organize on a nonprofit basis and a co-operative basis. The association cannot make a penny for itself. Everything that it does is to serve the grower. Every director has to be a grower; then all the interests are a community of interests—the growers' stuff and the directors' stuff all in the same pool. Then you grade it, put it in separate pools and sell it. The expenses are paid and the balance goes back to the grower.

The next California principle is, don't work through amateurs; don't have anybody but experts. You won't have to have amateurs. There are already some men who have been angling to find out how the biggest jobs in this organization can be secured.

Armour Company has hired good men all over the world—able men—and their one purpose is to see if they can separate the farmers of the country from their grain at the lowest price to the farmer and the greatest profit to Armour. He hires experts. We hire experts, too. We find that the Armour money is not any better than the farmer's money. We hire the very men that they hired, but we hire them to serve the farmer instead of exploiting the farmer; and they say they would rather work for the farmer for half the price than for the exploiter for double the price.

And what do these experts do? They do not have any magic wand. Cooperation is not a patent medicine. It is simply this: these experts handle our problems from a merchandising standpoint instead of from a dumping standpoint; they have learned how to control the so-called rules of supply and demand; they help create demand—we never get worried about

demand. We need our experts in order to find out how to increase demand.

Then we start out and we borrow the money on it, and I want you to know that our bankers at home have worked out several different systems under which we get money on our crops and can hold our goods over, so as to merchandise and not dump our crops. I want to tell you that if the world consumes one hundred and fifty million pounds of prunes a year, and we have a crop of one hundred and eighty million pounds a year, we keep thirty million pounds of prunes to carry over. We don't let one man's prunes break the market against other prunes. We have learned how to do something with supply. We never have to say to our growers, "reduce your acreage," because they all pull together. We give them the full proceeds of what is sold; we give to the members the loan value of what is carried over. Every grower feels the same penalty for overproduction. Automatically they reduce their crops because they know if they produce more they will get loan value instead of sales value.

We have learned all that. We have threshed out all these problems of financing and warehousing. You know as well as I know that we could not run our business for twenty-five years, as we have in California, without meeting all the problems that you men have to meet on tobacco. There is a precedent for anything you want in California, and this contract is simply the embodiment of all these principles I have been telling you about, and all the experience of Californians in the handling and marketing of farm products. We have adapted it to tobacco; we adapted it to tobacco with our eyes open.

We first looked up all about tobacco—don't listen to those fellows who come to you and tell you that I am full of prunes and raisins, and that I don't know anything about tobacco grading, and that therefore this contract might be good for prunes and raisins and not good for tobacco. The fellow who tells you that is full of tobacco all right, and he has got a profit in keeping you in your present system.

Best Bankers and Merchants Friendly

I am going to summarize by saying I told you the raisin story—I did not tell you because it was interesting; I told you the raisin story as the nearest thing I know to the tobacco situation. In fact, you can do more for tobacco than you can for raisins, because tobacco is less perishable than raisins. I then told you the principles that are exemplified in successful California Cooperative Marketing Associations. I ran through your contract. I told you that you form that association when you have 50 per cent of the tobacco in Virginia and the two Carolinas signed up. You then go in and deliver your tobacco, grade it into pools and merchandise those pools. You will take care of your warehouses under the Coykendall plan of finance set out in full in your contract. You will take care of your advance payments and crop mortgages on a standard banking basis; you will ask the banks to appoint a committee to work that out with you. You will find that the best banks are for you. Some of the banks and some of the merchants are against you because, perhaps, they have an interest the other way; but don't get worried about that. The best of the banks, who are doing business in terms of the community, will be with you. So will your merchants; so

will everybody who thinks for community prosperity instead of some one little individual, or some one particular year's prosperity.

Now I want to say this as a last thing: Don't think that cooperative marketing only makes money. It does more—money is the least thing that it makes. When we started cooperative marketing in California we had to pool with industries just like yours; and we had to pool them in districts just like yours; we had to pool in districts in which the standard of living is just what it is in the tobacco district of Virginia. I have told you that there is no difference now in the way our farmers live and the way our city people live. We have farmers who have \$25,000 invested in a farm who live on the same plan as men who have the same amount invested living in the city. School systems were poor and everything else in the country was poor. We have changed all that; we have done it only through one thing—outsiders did not do it. Community effort did it. The growers, the bankers, the merchants, the editors, the lawyers, the doctors, the teachers in the community got together, and they substituted COOPERATIVE MARKETING instead of BLIND MARKETING. Our farmers and their families have a real standard of living today. Our farmers never worry about marketing. They worry about production only. They produce the things and they leave it to experts to market.

You are going to produce tobacco; you are going to organize and then leave it to experts to market your tobacco; and I stake my whole standing as an expert in this line that within three years, or five years at the most, you are going to have a new rural civilization in Virginia on this account.

Money is being made out of tobacco. You are not making it; you are not making your share. If you have cooperative marketing introduced you are going to close up that gap between the city man and the country man; you will not have your boys and girls working in the fields; you won't have women working in the fields. You won't have your country women and girls dressing differently from the city women and girls. You will have your country children getting the same education as the city children get. Your growers will have deposits of money; they will be carrying life insurance to provide for their future and the future of their families.

Now don't think that I am talking dream stuff, or that I am treating you to a lot of visions. I want to say I have not said a word to you that I have not seen worked out in California; they have not seen it; I *have* seen it; I have not dreamed anything. I have seen this thing done, and I have seen it done with fourteen different commodities in my own state. I have seen those growers flat and despairing just like you; I have seen those bankers and merchants suddenly jump to the lead and lead the growers to cooperation; and I have seen that cooperation change the rural civilization of California until now we boast in that state that we have the most enlightened rural farm group of any state in the land. Four-fifths of our farmers are called "Cooperatives"; 90 per cent of them today are making real money from their products, whereas in almost every other state in the Union the farmer is flat broke. The result has been that the standard of rural living in California is on a plane that would amaze you. Our growers are not worried with

the fear that the profit they make one year might have to go to pay the loss of the next year:

Who did it? Not the speculator or the gambler in the West. It was done by the growers, with the co-operation of the bankers and the merchants and the editors and the leaders of thought.

Now if we did it in California you can do it in Virginia. It is up to you to see that you will do it in Virginia.

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